

Management News

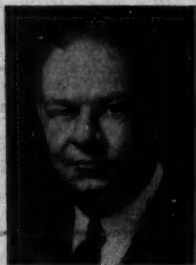
BUSINESS CONDITIONS & FORECASTS

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*The
President's
Scratch-Pad*



'To See Ourselves as Others See Us'

A PUBLIC relations specialist recently made some acid but possibly justified remarks about what he termed present management efforts to "propagandize" employees. He insisted that management *was* giving employees propaganda, that for the most part workers were aware of it—and did not believe it. "To fool the worker with propaganda these days you have to be good," he said. "He's become hardened to it; in fact, some of these workers are experienced propagandists themselves."

His point of view was that management is likely to become infatuated with the sheer beauty of its own propaganda media; namely, the posters, folders, movies, etc., and neglect to ascertain how all this is being taken by rank-and-file workers. He pointed out that Americans have grown rather accustomed to a certain degree of exaggeration and equivocation in ordinary product advertising and are likely to conclude that management's releases contain both. In matters concerning their own personal economic welfare they are uncannily perceptive, he believes, and are inclined to question not only the factual accuracy of certain statements, but even the motives behind the statements.

The whole movement toward supplying information seems to trace back to the time when Walter Reuther propounded his impractical but plausible "ability to pay" concept. Reuther's idea, while abhorrent to management, not only because of its economic impracticability, but because it was what ball players call a "play for the grand-

stand," served to stir up executives to the realization that they had been neglecting a very important area of public relations. Business men began to realize that their employees really did not know very much about the businesses that employed them and had a lot of wrong notions about business in general that became evident in times of crisis.

True, the facts about most companies were available through annual reports and balance sheets, through the Securities Exchange Commission, and other agencies. But management, somewhat belatedly on the whole, realized that employees were not troubling to read balance sheets, or to go to the SEC. What information they did have about company finances and economics in general was usually learned in a union hall. To correct this situation, hundreds, probably thousands, of companies have embarked upon ambitious "information" programs for employees and for the public. There has been a rather astonishing outpouring of pamphlets, newspaper reports, films, and various other devices. In fact, the movement has grown to such proportions as to be extremely noteworthy, because it is an action that, sooner or later, will have a reaction—bad or good—in the character of future employer-employee relations.

A number of companies, realizing the possible consequences of such an effort, have proceeded extremely carefully and very intelligently in formulating their programs. The first principle that they have established is that management

(Continued on page 4)

TRENDS IN BUSINESS

GENERAL OUTLOOK

Prices are still spiraling upward, but there are signs that the peak is near. Most substantial evidence is the break in retail food prices, but there are a number of others:

Demand for luxury goods is falling off; escalator contracts are less in evidence; used car prices are feeling a pinch; and the market for older houses is on the downgrade.

None of these signs necessarily portends a depression. It is even probable that salvation may lie in the very spottiness of the picture. If adjustments occur gradually, in one field at a time, any over-all break may be prevented.

At any rate, employment seems to be holding up well. Although there was some seasonal decline in agricultural jobs in December, non-agricultural employment reached a record height. Manufacturing employment was at a peak for the postwar period.

PRODUCTION

Making allowance for seasonal changes, production in December was at the same high postwar level as in November, and the January figure may be even better.

Shipments in many lines of consumers' durable goods are now well above the 1940-41 average. Coal output, although it dropped off sharply in the first and last weeks of December, was at an all-time high by the second week of January. Steel production is now over 90 per cent of capacity.

FAILURES

Business failures numbered 52 in the week ending January 23, Dun & Bradstreet reports, or more than double the number recorded in the corresponding week of 1946. Large failures, those with liabilities of \$5,000 or more, com-

(Continued on page 2)

Trends in Business

(Continued)

prised four-fifths of the total, and were almost three times as numerous as they were in the same week of January, 1946.

This marks the 18th week in which failures have exceeded those of the previous year, and indicates a definite trend. And failures, *Business Week* points out, tend to compound the problem where there is a break in prices, since even though the firms are small they have inventories which must be liquidated, and distress merchandise necessarily accelerates price declines.

DISTRIBUTION

Although dollar volume of retail sales continues to show big advances over last year, it is estimated that most of the rise is due to higher prices and that volume is very little greater.

In the latest week for which figures are available, sharp declines were reported among luxury items, and there was some falling off in retail apparel volume. Sales of electrical appliances registered sizable increases.

COMMODITY PRICES

The BLS index of commodity prices reached a (preliminary) figure of 142.6 (1926=100) in December, some 33 per cent above the figure for December, 1945, and more than 90 per cent above the prewar level of August, 1939. Further advances, it is estimated, occurred in January.

CONSTRUCTION

In December, for the second successive month, building permit values dropped below the total for the corresponding 1945 month, and this time the drop was sizable—27.4 per cent as compared with a 3.2 per cent difference between November, 1946, and November, 1945 (Dun & Bradstreet figures, 215 cities).

New York City, where permit values mean plans filed and not actual permits, ran counter to the trend with a volume double the December, 1945, total. Leaving out New York, the drop for the other 214 cities was 39.5 per cent from December, 1945.

SOURCES:

ALEXANDER HAMILTON INSTITUTE
BROOKMIRE, INC.
BUSINESS WEEK
CLEVELAND TRUST COMPANY
DUN'S REVIEW
FEDERAL RESERVE BANK OF
NEW YORK
NATIONAL CITY BANK

The Editor's Listening Post

Recession in Personnel Activities?

• Some normal postwar reductions in some of the activities of some personnel departments are being interpreted in many quarters as evidence of a general recession in management interest in the problems of industrial relations. The evidence is not sufficient to warrant such a conclusion—at least not from AMA's vantage point. Actually, these things seem to be happening:

1. The end of the 20-cent wartime dollar has brought some curtailment in the activities generally classified as wartime personnel work and "morale building," but there has been a curtailment in the wartime activities of many other departments. Getting costs down was a general postwar objective in virtually all companies—personnel costs as much as any other.

2. Return to peacetime operations has caused the displacement of large numbers of people who were drawn into personnel work during the war period. But the adjustment is a normal one. The V-J day capacity of many personnel departments was far in excess of peacetime needs.

3. Personnel budgets in many companies may not have been increased to take care of rising costs. Printing costs, to name one item, have increased from 10 to 30 per cent, making such activities as house organs, which are under personnel in many cases, much more expensive.

A Questionable View • One hears from time to time that the prospect of an era of good feeling in labor-management relations is another factor that will operate to the detriment of personnel departments, the theory being that with the "heat" off, many organizations will feel they can relax their efforts in industrial relations. If that is true, and it is only an extremely broad assumption, then it is an admission that personnel work is on an extremely shaky footing. It should have been established long ago that labor relations and collective bargaining are only one of the group of functions falling under the general heading of personnel administration.

If personnel departments exist because unions exist, then it is only logical to assume that personnel executives should be looking with fear and trembling at the gestures Congress is

making toward legislation that will curtail union activities. This writer has not encountered any personnel people showing that attitude of mind.

Measuring Personnel Work

• Meanwhile, however, there is very marked interest by personnel executives in developing data that will form a basis for measuring personnel costs and objectives. Most such efforts have not gone beyond the talking stage, but real progress has been made in some companies. AMA's Midwinter Personnel Conference will provide some information on this, and will also show some case examples of methods of presenting the results of personnel administration to management by graphic methods.

Wages • "If the pending Federal minimum wage bill should be passed in the present session of Congress," Dr. Vergil D. Reed, Associate Director of Research, J. Walter Thompson Company, said at the Marketing Conference, "retailers and other employers are in for a disillusioning surprise. It is a very astute piece of legislation—from the union point of view—because it looks so innocent on the surface. It proposes that a minimum wage be established at 65 cents per hour. That is an increase of 25 cents over the present minimum. The joker lies in the fact that the 65-cent rate for the poorest worker is the spring which, if released, will push all other wages up a like amount. If the poorest worker's hourly rate is set at 65 cents, then those getting \$1.00 per hour will demand \$1.25, and those getting \$1.25, \$1.50."

Prices • Whatever happens in the anticipated adjustment phase, the general level of prices in the next few years seems likely to remain substantially above that of the prewar period, according to Murray Shields, Vice President, Bank of the Manhattan Company, another Marketing Conference speaker. The post-adjustment period, he believes, is also likely to be marked by a rising trend in interest rates.

"With savings likely to be reduced from the levels of wartime . . . and of depression . . . and with the demand for credit in the form of new security flotations . . . likely to be substantial," he said, "the trend in interest rates should be moderately upward."

JAMES O. RICE

RESEARCH DEPARTMENT

Public Relations in the Local Community

There appears to be a growing movement among companies to attempt improvement of public relations in their local communities. This movement, which has been accentuated by the trend toward decentralization, is especially strong among firms with branch plants whose public relations were neglected in the past because of emphasis on nation-wide campaigns and coverage.

The general purpose of such a program is to create good will toward the company, interest in it, and acceptance and understanding of its policies. Specifically, work at the local level is often aimed at better labor relations. Information is disseminated on the excellence of employment conditions in the plant—the prospects of continuity of work and increasing income, two-way communication and consultation, and efforts to promote the greatest possible development of each employee. In this way, it is felt, the best possible labor supply can be attracted, morale improved, and turnover and absenteeism reduced. Moreover, this may help to win community support when difficulties arise with labor unions, or municipal, state or federal authorities.

SETTING UP A PROGRAM*

Successful public relations must be based on sound premises. Before any activity of this nature is undertaken, company policy must be examined and corrected wherever necessary to avoid conflicts with the public interest. The personal behavior of company officials and the physical appearance of the buildings are also important.

A public relations program must always be adjusted to specific needs, but the following general steps might be considered:

1. *Analysis of the community into its various "publics"*—employers, employees, housewives, officials, school children, labor groups, racial groups, etc. Most individuals belong to several groups and their interests will vary. Programs can now be devised to reach particular groups, rather than "everybody in general and nobody in particular."

2. *Appraisal of the community's attitude toward the company through*

opinion surveys by outsiders, possibly through informal interviews by company officials or consultation with advisory bodies. This needs to be supplemented by a careful survey of past relationships.

3. *Examination of the company's public relations.* Existing company policy might be set against current criticisms as expressed by each "public" group. Members of the community who are in direct contact with the company—employees, suppliers, or customers—might be asked to make suggestions.

4. *Examination of the methods of citizen contact.* This will include a survey of methods of handling citizen interviews, complaints, correspondence, telephone calls.

5. *Training of employees for community public relations.*

6. *Coordination of the plans.* Programs must be checked with top officials and the main office to be sure they are in line with general company policies and objectives. It may also be advisable to check the plans with representative friends and well-wishers, if they can take an objective point of view.

7. *Study of community relations work done by other companies, labor unions, and independent organizations.*

MEDIA OF COMMUNITY CONTACT

Points of contact in public relations work are extremely numerous, and only some of them can be mentioned here.

First, the best proof of good employment conditions is the testimony of those already employed. Employees should be fully acquainted with the benefits they receive from the company, and have some knowledge of the economics of its operations—the role of capital (profits and risk-taking), taxes, services rendered by management, the interrelationship of wages, prices, and employment, etc.

Information can be supplied through printed material, or through conversations with superiors. Perhaps most effective is discussion of company problems in the "natural work groups" of six to eight which exist in all companies,* although these may be difficult for management to approach.

* George B. de Huszar, *Practical Applications of Democracy*, Harper & Bros., New York, 1945; Burleigh B. Gardner, "The Factory as a Social System," in *Industry and Society* (W. E. Whyte), McGraw-Hill, 1946.

Wives, children, and relatives of the employees also have an important influence on community opinion. Printed messages from the company, personal letters from the employee's superior, visits to the plant, socials and discussion groups for the employees' dependents provide means of disseminating information.**

For reaching the general public, media include: public speeches and discussions, the local press, advertisements, local radio stations and movies, billboards, occasional store displays, etc.

Much effective public relations work can be accomplished by indirect means. Various local groups, such as business organizations (chambers of commerce, trade associations, boards of trade, business men's clubs, banks), public institutions (schools, local government offices, etc.), and women's organizations, as well as individual men of local prominence, can be interested in the work done by the company. In return, the company must make contributions to the local community—through support of local projects and charitable organizations, contributions to local prosperity and development, etc.

SOME CAUTIONS

A public relations program on the community level requires careful and tactful preparation and execution, and should be started on a small scale. Only a few and relatively inexpensive features should be undertaken at first, and expansion should be gradual. Any appearance of paternalism, patronage, or high-pressure techniques must be avoided. Efforts should be proportioned to possible accomplishments, and their results checked. Above all, the company should not expect too much too soon.

Reprints Available

Many companies have ordered reprints of the article "An Outline of the Supervisor's Job" for distribution to executive and supervisory staffs for training purposes. Copies of the article are available at cost in quantity lots from the Association. Inquiries should be directed to Order Department.

"An Outline of the Supervisor's Job" was prepared by John M. Piffner, Professor of Public Administration, University of Southern California.

* For a practical example, see *The Technique of Municipal Administration*, published by the International City Managers' Association, Chicago, 1943, Chapters 13 and 14.

** For some of the possible techniques, see Whiting Williams, "Who's Got Momma's Ear," *Nation's Business*, June, 1946.

ACTIVITIES of the AMA

Coming Changes in Labor Relations, Personnel Field Will Be Discussed

Chicago Conference to Evaluate New Techniques and Trends

Coming changes in the fields of labor relations, personnel administration, and public relations will be discussed and evaluated at AMA's Mid-Winter Personnel Conference, which is set for February 24-26, at the Palmer House, Chicago.

Speakers will include Lawrence A. Appley, Vice President in charge of Industrial Relations, Montgomery Ward; Fowler McCormick, Chairman of the Board, International Harvester Company; Gerard Reilly, former member of the National Labor Relations Board, and Cyrus S. Ching, Director of Industrial and Public Relations, U. S. Rubber Company.

Among the features will be an open forum on "Negotiating a Labor Contract," which will consider both the preparation for contract negotiations and the techniques of negotiation. George Hodge of International Harvester Company will be chairman, and speakers will include: W. G. Caples of the Inland Steel Company; Charles

Hodge, Koppers Company; and G. E. Morse, Sylvania Electric Products.

Another session will be devoted to reports of advances in personnel techniques, including evaluation of managerial positions; and still another to "Personnel Activity in Competitive Operations," with talks on "Techniques of Measuring Personnel Effectiveness" and "Graphic Measurement of Personnel Statistics."

Arbitration, industry-wide bargaining, employee opinion surveys, communication with employees, and the outlook on labor legislation will be among other subjects considered.

A feature of the conference will be "The Personnel Workshop," an exhibit of employee publications and personnel forms from more than 500 companies. Those desiring to be represented should see that their exhibits are received at Association headquarters no later than February 14.

The President's Scratch-Pad

(Continued from page 1)

must decide upon what the company believes in itself.

A top official of one well-known American company told the writer that in studying the formulation of its policies the company went so far as to ask itself whether employee benefits guaranteed in the union agreement (such as insurance, longer vacations, etc.) would have been forthcoming whether there had been a union or not. "We concluded," he said, "that such benefits would have materialized because their foundations had been laid before unionism caught hold. We determined that our policy would aim at making 'our company a better place to work,' and by that we meant a place that would give more and better things to more workers. We would not permit the existence of a union, with which our relations were pretty good anyway, to alter our attitude toward the major objective of employee policy. After we had determined our own attitudes on such basic questions as this, we felt that

we had a basis for developing our procedures of industrial relations and talking to our employees, largely through the supervisory level of management, about the company's problems and prospects."

Such self-searching is perhaps not so rare in management as some people may think. But it is obviously sound, because in the vicissitudes of day-to-day industrial life, fundamental attitudes *will* emerge. Besides, we should remember that workers are affected by the scepticism of a sceptical age. They *do* question motives, and to appreciate their point of view is extremely difficult, often almost impossible. The whole subject calls to mind Robert Burns' vain entreaty:

"Oh, wad some power the giftie gie us
To see ourselves as others see us!
It wad frae monie a blunder free us,
And foolish notion."

Alvin E. Dodd

Finance Conference To Analyze Effects Of Sharp Price Rise

Key questions raised by the sharp rise in the price level will be analyzed at AMA's Finance Conference, to be held February 5 and 6 at the Hotel Commodore, New York City.

"The Short-Term Outlook for Commodity Prices" will be discussed by R. C. Swanton, Winchester Repeating Arms Company, and Chairman of the Business Survey Committee of the National Association of Purchasing Agents. Morrison H. Watkins, Bendix Helicopter, Inc., will speak on "The Financing and Control of Increased Inventory Requirements"; Carman G. Blough, Director of Research, American Institute of Accountants on "Depreciation and Reserves in a Period of Rising Prices"; E. C. Brelsford, Assistant to Vice President and Treasurer, Thompson Products, Inc., on "Budgetary Control in a Period of Higher Prices"; and A. W. Hill, Credit Manager, E. I. duPont de Nemours, on "The Control of Credit and Collections."

Another group of addresses will deal with possible tax legislation and changes in governmental regulations. Among these will be a talk by James J. Caffrey, Chairman of the SEC, on "Adjusting SEC Regulations to Present-Day Business Requirements."

Dr. Jules I. Bogen of the *Journal of Commerce*, AMA Vice President of the Finance Division, is in charge of the program, and will speak on "The Future of Interest Rates."

Packaging Exhibition

AMA's annual Packaging Exhibition will be held on April 8, 9, 10, and 11, at the Exhibit Hall, Philadelphia. A three-day Packaging Conference will be held in conjunction with the show, on April 8, 9, and 10.

Among the subjects being considered for coverage at the Conference are: cutting packaging costs, packaging of heavy articles, packaging of metal parts, and new developments in packaging machinery. There will be two forum sessions at which the audience will have an opportunity to put the questions to panels of experts.

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